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Many Changes in New Farm Act

SEVERAL important changes in the farm program were made by the Agricultural Act of 1948 passed during the last session of Congress.

The new act amends the parity price formula, changes the definitions of carry-over, normal supply and total supply and provides a new price support program.

These changes will not go into effect until January 1, 1950. In the meantime, the act extends the existing price support legislation to cover basic commodities harvested before June 30, 1950 and, with some important modifications, Steagall commodities marketed before January 1, 1950.

The new act makes the first important change in the definition of parity prices since the first Agricultural Adjustment Act was passed in 1933. Under the old law, the parity price of any agricultural commodity is defined as a price which has changed the same percentage since the base period as have prices paid by farmers. For the more important field crops and livestock items, the base period is 1910-14. The parity price for a farm product is calculated by multiplying the average price for the product during the base period by the parity index.

For example, this is the way the parity price for wheat on June 15, 1948, was calculated. On that date, the index of prices paid by farmers including interest and taxes was 251, or about two and one-half times the average for 1910-14. Multiplying 88.4 cents, the average price received by farmers for wheat in 1910-14 by this index gives \$2.22 per bushel, as the parity price for wheat.

The chief change in the parity price formula made by the new act is the substitution of an adjusted base price for the base price previously used. It is obtained by dividing the average price for the commodity in the ten preceding years by the average of the index of prices received by farmers for all commodities during the same period. The adjusted base price is then multiplied by the index of prices paid by farmers including interest and taxes.

At the beginning of each calendar year, the 10-year base period used is moved forward 1 year. The years 1910-14 will continue to be used as the base period for the index of prices received by farmers and the index of prices paid by farmers including interest and taxes.

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OUTLOOK HIGHLIGHTS

NET INCOMES of United States farmers probably were smaller in the first 6 months of 1948 than in the same months of 1947.

Although prices received by farmers and cash receipts from marketings have been up a little from last year, expenses seem to have gone up more. During the first half of this year, prices farmers paid for production items averaged 10 percent higher than during the whole year of 1947 and 16 percent higher than in the first half of 1947.

Costs of nearly all production items have gone up. The cost of farm labor advanced about 5 percent. Prices of farm machinery, building materials, fertilizer, and other supplies and equipment have climbed steadily. Feed prices have averaged 16 percent above 1947 though farmers have bought less.

JULY was a record month for most of the price indexes. The BLS wholesale price index topped both the January peak and the 1920 record. Prices paid by urban consumers, according to another BLS index, also were at the highest level in history.

The BAE index of prices paid by farmers, interest and taxes remained at

251 percent of the 1910-14 average. This is equal to the January peak.

Prices received by farmers moved up 2 percent in July but at 301 the index was still below the January record of 307. However, nearly all of the gain was due to advances in meat animals, dairy products and poultry and eggs. Crop prices, particularly grains, have been sliding downward in recent months.

These trends—down for crops, up for livestock and products—are likely to continue for the next few months.

UNITED STATES wheat supplies for 1948-49 are now estimated at 1,437 million bushels—a crop of 1,242 millions and a carry-over of 195 millions. Of this, around 750 million bushels are expected to be used in this country. Early estimates of supplies that will be available in other exporting countries and probable takings by importing countries indicate that United States exports may total about 450 million bushels. This would leave a carry-over next July 1 approximately the same as the prewar average of 235 million bushels.

Prospects are that Europe, excluding Russia, will produce about 1,450 million bushels of wheat and 600 million bushels of rye. This would bring the total bread grain crop 35 percent above 1947 but 13 percent below the 1935-39 average. In Russia, the outlook indicates a total grain crop about the same as in 1947 but still below the prewar average. Drought has damaged the Canadian crop to such an extent that the outturn may fall below the 1935-39 average.

MEAT SUPPLIES will hit their low point for the year late this summer or early in the fall. With no slackening of consumer demand in prospect, retail meat prices generally are expected to continue up from the record levels reached in early July.

Bumper feed crops in prospect will not increase meat production for some time. In fact, marketings of some cattle and hogs are likely to be delayed

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Many Changes in New Farm Act

(Continued from page 1)

Again using wheat as an example, this is the way the parity price for June 15, 1948 would be figured under the new formula. The average price received by farmers from 1938 to 1947 was \$1.22 per bushel. During the same 10 years, the index of prices received by farmers averaged 163. Dividing \$1.22 by 163 gives an adjusted base price of 72.6 cents per bushel. This base price, multiplied by the index of prices paid by farmers including interest and taxes, gives \$1.82, which would be the parity price for wheat under the new formula.

Under the new act, the parity prices of the various agricultural products will reflect the relationships of actual prices during the most recent 10 years. Since prices of wheat, corn, and some other products averaged lower compared to the general level of farm prices in the last decade than in the base period previously used, the new parity prices will be lower than the old ones. The opposite will be the case for dairy products, beef cattle and some other commodities. However, the general level of parity prices under the new formula will be the same as under the existing one.

Transitional Parity Prices

To avoid too sharp declines in the parity price of any commodity, transitional parity prices are provided by the new act. They are to be used for those commodities for which the new parity prices are less than 95 percent of the old parity prices in 1950; 90 percent in 1951 and so on. In other words, the parity price as calculated under the old method is to be reduced 5 percent each year until the transitional parity is less than the parity price as defined by the new act. From then on, the new parity will be used.

The new act also provides that the Secretary of Agriculture may, after a public hearing and finding, put into effect other methods for computing parity for particular commodities if their new parity prices appear to be

seriously out of line with those for other products.

In the new act, the Secretary of Agriculture is given general authority to support prices to producers of agricultural commodities through loans, purchases, payments and other operations. The support price schedules under the act differ from both the postwar program now in effect and the prewar program. They will not go into effect until January 1, 1950.

Supports Tied To Supply

One of the important changes in the price support program is that the minimum support prices for the basic commodities—wheat, corn, cotton, tobacco, rice, and peanuts—are tied directly to the supplies of these commodities. The act changes the definitions of normal supply, total supply and carry-over that were included in the Agricultural Adjustment Act of 1943:

Normal supply: The normal supply of corn, cotton, rice, wheat, and peanuts for any marketing year is defined as the estimated domestic consumption of the commodity during the preceding marketing year plus the estimated exports of the commodity for the marketing year for which normal supply is being determined, plus an allowance for carry-over. The Secretary is directed to take account of current trends in consumption and unusual conditions in determining normal supply. Normal supply in the case of tobacco shall be a normal year's domestic consumption and exports, plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports as an allowance for a normal carry-over.

Total supply: Total supply for basic commodities other than tobacco is defined as the carry-over of the commodity at the beginning of the marketing year plus estimated production and imports. Total supply of tobacco is defined as carry-over plus production.

Carry-over: The definition of carry-over for cotton is changed to exclude foreign-held stocks of cotton produced in the United States. A definition of carry-over for peanuts is added because it is needed in the determination of the minimum price support level.

Minimum support prices for the basic commodities range from 60 percent of parity when the total supply is more than 130 percent of normal to 90 percent of parity when the supply is less than 70 percent of normal. Whenever acreage allotments or marketing quotas are in effect, the minimum support price is automatically increased 20 percent except that it shall not exceed 90 percent of parity.

Tobacco is a special case. It is to be supported at 90 percent of the parity price in any year in which marketing quotas are in effect. Other provisions of the act direct that marketing quotas for major types of tobacco except Maryland and cigar leaf, be in effect every year unless disapproved by more than one-third of the eligible producers voting in a referendum.

Support prices for basic commodities apply only to producers who cooperate with agricultural programs which are in effect. The level of support to non-cooperators is discretionary. If quotas are disapproved by more than one-third of the producers voting in a referendum, the support level becomes 50 percent of the parity price.

Marketing Quotas

The act provides the conditions which must exist before marketing quotas are proclaimed for the basic commodities. Quotas for corn, wheat, cotton, and rice shall be proclaimed when it is estimated that the total supply for the marketing year will exceed the normal supply by more than 20 percent (8 percent in the case of cotton) or when the average farm price for three successive months of the preceding marketing year was 66 percent of parity or less provided the current supply is not less than the normal.

In every year the Secretary is to proclaim a marketing quota for each kind of tobacco for which a marketing quota was proclaimed for the immediately preceding marketing year, and to proclaim a marketing quota for Virginia sun-cured tobacco for each marketing year for which a quota is proclaimed for fire-cured tobacco. Prior legislation which is not changed by this act provides that marketing quotas be proclaimed for peanuts each year. All marketing quotas are to take effect un-

less opposed by more than one-third of the farmers voting in a referendum.

Nonbasic Commodities

Prices for nonbasic commodities may be supported by the Department of Agriculture at any level up to 90 percent of the parity prices. These supports are not tied directly to supply as are those of the basic commodities. However, the Secretary of Agriculture is required to determine the conditions of eligibility for price support. These include the ability and willingness of producers to keep supplies in line with demand as well as other factors. These provisions also apply to basic commodities to the extent that they do not conflict with other provisions of the act. Producers may be required to comply with acreage allotments, production goals, and marketing practices (including marketing agreements and orders) prescribed by the Secretary in order to be eligible for price support.

Storable nonbasic commodities may be supported with the aid of regular Commodity Credit Corporation funds. *Nonstorable* nonbasic commodities (except Irish potatoes) can be supported only by means of section 32 funds and the Commodity Credit Corporation reserve for the postwar price support of agriculture. However, regular funds of the Corporation may be used to support the prices of nonstorable nonbasic commodities through operations with respect to storable commodities processed from such commodities.

Potato Support, 60 to 90 Percent

Exceptions to the above are made for a few commodities. The Secretary is directed to support the prices of wool at a level between 60 and 90 percent of parity that he considers necessary to encourage an annual production of 360 million pounds of shorn wool. Irish potatoes harvested after December 31, 1949, also are to be supported at not less than 60 percent or more than 90 percent of the parity price. If any price support operation is undertaken for either chickens or turkeys, the same operations shall be applicable to broilers, ducks and ducklings, and other poultry.

If the Secretary after public hearing finds that a support price higher than

90 percent of parity is necessary to increase or maintain the production of any agricultural commodity in the interest of national security, he may put such higher support into effect.

Except in certain specified cases, the Commodity Credit Corporation is directed not to sell any farm commodity owned or controlled by it at prices below those which the Congress determined would not substantially impair current price support operations.

Price Support in 1949

The provisions of the act discussed above do not go into effect until January 1, 1950. The act extends existing price support legislation with some important changes through 1949.

Prices received by cooperating producers of basic commodities harvested before June 30, 1950, are to be supported at 90 percent of the parity price. Price supports to noncooperators are to be 54 percent of parity and only on as much of the commodity as would be subject to penalty if marketed. The base period for Maryland tobacco is changed to August 1936-July 1941.

Among the mandatory Steagall commodities, prices of Irish potatoes harvested before January 1, 1949, and prices of milk and its products, hogs, chickens, and eggs marketed before January 1, 1950, are to be supported at 90 percent of the parity price. Prices of the other mandatory Steagall commodities (flaxseed, soybeans, dry edible beans, dry field peas, American-Egyptian cotton, potatoes of the 1949 crop, sweetpotatoes, and turkeys, marketed before January 1, 1950) are to be supported at not less than 60 percent of the parity price or more than the 1943 support level.

The price of wool is to be supported at the 1946 support level (about 42 cents per pound) until June 30, 1950.

The congressional policy of price support for other commodities in line with prices of the basic and mandatory Steagall commodities under certain conditions is extended to January 1, 1950. Support for these commodities is permissive rather than mandatory.

C. KYLE RANDALL

Bureau of Agricultural Economics

All-Purpose Pest Killer for Cotton Is Seen In Future

Cotton growers, who for years have been losing one of every seven bales of cotton they produce as a result of insect damage, may confidently look forward to a new day of relief from the greater part of these losses.

The new insecticides, such as DDT, chlorinated camphene, and benzene hexachloride, according to United States Department of Agriculture's Bureau of Entomology and Plant Quarantine, have promise of providing an all-purpose insect killer for the cotton grower.

Use Specifics In Past

In years past, by contrast, the cotton grower has been forced to use specific insecticides for specific insects, such as calcium arsenate for the boll weevil and nicotine for the cotton aphids.

A report on experiments conducted at the Bureau of Entomology and Plant Quarantine Cotton Insect Investigations Laboratory at Waco, Tex., by K. P. Ewing, entomologist, reveals that "for the first time an insecticide, or a combination of insecticides, is being recommended for use on cotton that will do an across-the-board job—that is, will give simultaneous control of all the major injurious insects on cotton."

Two Pest Killers Developed

Two insecticides, either of which was found to give all-purpose control of the major pests, are: (1) 20 percent chlorinated camphene, and (2) a mixture of 5 percent DDT and benzene hexachloride containing 3 percent of the gamma isomer. Both of these insecticides should contain at least 40 percent of sulfur for red spider mite control.

These new insecticides are not miraculous cure-alls. They will kill many different kinds of insects commonly found on cotton. But only when they are used in the right way will they give economical and satisfactory control of the major pests.

AN IMPORTANT QUESTION

Have You Made Your Will?

THIS question doesn't mean that we expect you to be a candidate for the undertaker tomorrow, next week, or even next year. But it is an important question.

Maybe you've been putting it off because you haven't known just how to go about it. Perhaps you're superstitious and feel that making a will is inviting disaster. Or possibly you are not aware of how your property will be distributed under the laws of descent of your State in case you do not make one.

Making a will means that your property will be divided according to your wishes. It can mean that the farm you've spent the better part of a lifetime in building up will continue in operation as an economic unit instead of being broken up into tracts too small to support a family.

Wills are especially important to farmers. Ordinarily, most of their assets are tied up in land, livestock, machinery, and tools. Sales to settle estates of this kind are uneconomic; they destroy the going-concern value of farms by scattering the machinery, livestock, and other forms of capital. A farm owned jointly by several heirs presents problems of management; all too often friction develops.

Despite all these things, scattered studies indicate that the majority of farmers do not leave wills.

Will Must Be Written

Unless your will is to be very brief and in very simple form, you will be wise to consult a lawyer. The will must be written. In most States, you must sign it before witnesses. Some States require two witnesses; others specify three. Your will may be changed as your family changes by marriage, birth, or death, or as your economic position changes. It is important to make these changes. Otherwise, you may work hardship on your heirs.

You may will your property to whom you please and in any way you please,

with two exceptions. You cannot will away the dower rights of your wife and you cannot impose restrictions upon future generations. In most States, dower rights amount to a life interest in one-third of the husband's real estate. A few States also provide for curtesy rights to the surviving husband. These are similar to dower rights.

Desirable Points for Will

The laws of descent differ among States, but in general, here are the things you want your will to do:

(1) Provide security for your wife during the remainder of her lifetime. Willing the land to her means that she can keep her home. You may will your property to your wife in fee simple. In this way she will have absolute title, and she may sell or give it away or she may dispose of it by will. Or, you may specify that she is to have the property as a life estate, that is, she is to have the use of it during her lifetime but she cannot sell it or give it away and she may not dispose of it by will.

(2) Provide equitable (this does not always mean equal) treatment for your children or your other heirs. You may have given some of your children more schooling than others. Perhaps you have a son who has stayed on the farm to manage it and to take care of you and your wife. Certainly he has a greater interest in your farm than have your other children. It is possible to provide for him with a father-son agreement.

(3) Transfer ownership of your property in a way that will cause as little friction and uncertainty as possible.

(4) Make sure that the resulting ownership pattern will not mean exploitation of farm resources and inefficient use of the land. Suppose your farm of 350 acres were divided into five separate farms. Except in areas of very intensive cultivation, these farms would be too small to be efficiently operated. Arthur J. Walrath and W. L. Gibson,

Jr., in *Farm Inheritance and Settlement of Estates*, Virginia Agricultural Experiment Station Bulletin 413, January 1948, say that there is little doubt that the small farm problem in many parts of Virginia has developed in part from equal subdivision among heirs.

Other Methods

You may use one of several other methods of disposing of your property. If your children are small, you may want to leave your entire estate to your wife in fee simple. If title to your farm is held jointly with your wife and if it provides for the right of survivorship, upon your death she becomes full owner. Otherwise, each of you hold a one-half undivided interest and your half becomes a part of your estate.

You may dispose of your farm and your other assets by gift if you wish, although it is a rare farmer who can afford to distribute his property during his lifetime.¹⁾ You and your wife may make interest-bearing loans to each of your children, with provision in the notes that all or a stated amount of the indebtedness is to be cancelled automatically within a stated period following the death of whichever parent lives the longer.

A Will is Best

Another way is the annuity method which allows an owner to turn over qualified ownership of land to his children and yet to retain annual income rights for himself and his wife (Botts, Ralph R., *Use of the Annuity Principle in Transferring the Farm From Father to Son*, *Journal of Farm Economics*, May 1947). Annuities are not yet in extensive use.

A will is by far the best way of guaranteeing that property will be disposed of in the way you wish. If you do not make a will, your heirs may become involved in a chancery suit. It may be years before your estate is settled. Hard feelings may develop among your children. The farm as you have known it may disappear into small uneconomic parcels of land. Make your will today.

ESTHER M. COLVIN

Bureau of Agricultural Economics

Buyers of Citrus Juices Say They Emphasize Taste

What qualities do wholesale buyers look for when they are purchasing citrus juices?

According to a survey made by the Farm Credit Administration, taste influences wholesale buyers more than any other quality. Color was second. Other quality factors buyers considered: sugar content, consistency or clearness, degree of acidity, freedom from pulp, peel, and oil.

Several other questions were asked 2,000 wholesale-grocer and chain-store buyers in the survey, a project under the Research and Marketing Act. Some of the findings:

Many Use U. S. Grades

About half of the citrus juice purchases reported by both chain and non-chain store buyers carried packers' labels while the other half moved under buyers' labels.

Buyers did not purchase to any great extent solely on the basis of U. S. grades. However, they frequently used U. S. grades with other methods in selecting products. A combination of U. S. grade and packer's sample was used by 38 percent of the buyers. Twenty-four percent depend on packer's sample, 14 percent solely on U. S. grades, 6 percent on buyer's specification. Various other combinations were used to a lesser extent.

Favor U. S. Inspection

About two-thirds of the buyers said they favored products processed in plants having continuous United States Department of Agriculture inspection.

The small size No. 2 can moves best in the South. In other areas the No. 3, 46-ounce can is preferred for orange juice, grapefruit juice and blends of the two. The large can was most popular with chains and the large volume buyer.

Agricultural cooperatives account for more than one-fourth of the processed citrus and more than one-half of the citrus sold fresh.

Crop Output May Break Record

AT MIDYEAR, 1948 crop production promised to surpass that in any year of record.

This statement opens up many avenues for looking into the near future. Before we theorize upon what such production may mean in our own country and abroad, however, let us look into some of the details.

In the first place, when we think of total crop production at midyear, we must necessarily use current forecasts of the Crop Reporting Board. Based on such information as was available on July 1 from farmer-reporters all over our country, the Crop Reporting Board indicates that the total volume of 52 principal crops in 1948 may be 128 percent of that in the base period. This base period used is the 10 years 1923-32, the so-called predrought period. The best previous total output was in 1946 when the index was 126 percent, and before that 123 percent in 1942.

The outturns in 1942 and 1946 were produced, distributed, consumed, and accounted for. We know what those totals were. For 1948 we have as yet merely prospects, though some of the grain crops are nearly harvested. Currently we have estimates of what production will be—if conditions for growing and harvesting the crops are about average from July 1 to the end of the season. In other words, on July 1, the wheat wasn't in the bin nor the corn in the crib, by a long way.

Big Gain in Feed Grains

Feed grains are by far the most important factor in total production. They have over one-third of the total influence in this prospective 128 percent index in 1948. These feed grain prospects include the biggest corn crop in our history, 3,329 million bushels; along with 1,426 million bushels of oats and 307 million bushels of barley, both well above average production; and the likelihood of a better-than-average grain-sorghum crop.

Production of important groups of

products in 1947 and their estimated output for 1948 are compared with the 1937-46 averages in the accompanying chart.

Food grains-total less than one-third the tonnage of feed grains in 1948. But this tonnage is nearly 30 percent above average compared with over 40 percent above average in 1947. Thus, a considerable contribution to the total volume is made by the near-record wheat crop of 1,242 million bushels and the near-record 79 million bushels of rice, though rye and buckwheat will be below average.

Oil Crops Increase

Oil-bearing crops as a group are expected to produce a bigger tonnage than in 1947, with the 10 percent increase in cotton acreage, relatively large acreages of soybeans for beans and peanuts for nuts, and the second largest flaxseed crop of record.

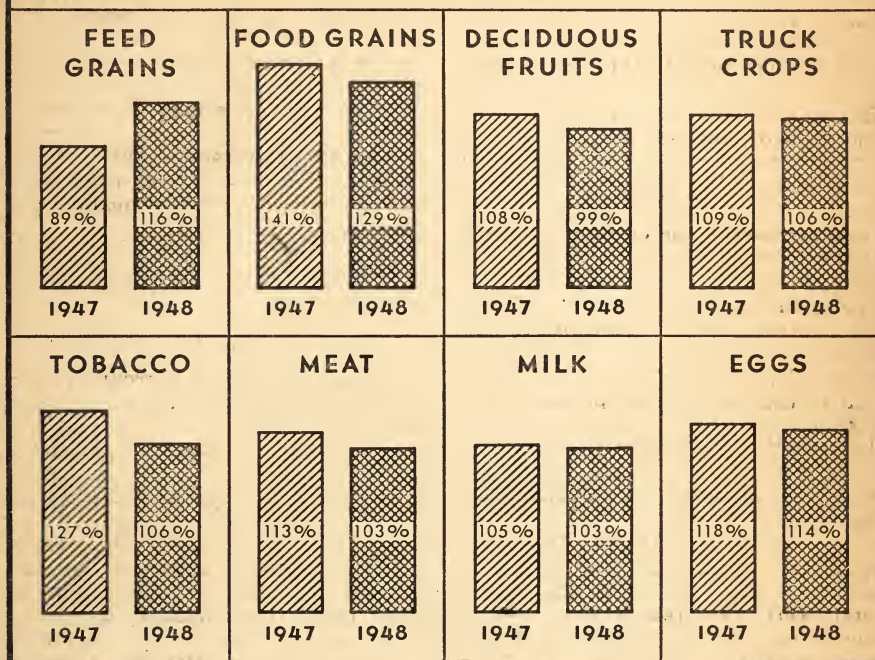
Potatoes will be about an average crop, but sweetpotatoes will be the smallest since 1924. There will be more sugar crops than average, also more dry beans, but only a little over half as many dry peas. Hay will be below average, but the 95 million tons in prospect, plus a large carry-over, will be ample for the number of hay-consuming animals on farms.

Sharp reduction in tobacco acreage lowers production in 1948 to only 6 percent above average, compared with nearly 27 percent above average in 1947. The commodities mentioned thus far account for nearly seven-eighths of the total as computed in the index. Fruit and truck crops make up the remainder.

While fruit and truck crops are near the 1937-46 average production, each group is far larger than the pre-drought average and helps materially to raise the index of total production. Thus the slightly smaller-than-average production of deciduous fruits in prospect, plus relatively large citrus prospects, are about 45 percent above the pre-

MID-YEAR PRODUCTION OUTLOOK

Farm Production for 1948 (as Indicated July 1)
and 1947, as Percentages of the 1937-46 Average



BAE 46815-X

drought level. And the chief truck crops, while only 6 percent above the 1937-46 average, are 82 percent above the pre-drought level.

Now, with these details as a basis, we are ready to consider the implications of this prospective record volume of production. We can discover why we have some of these situations and speculate as to what can be done with the commodities themselves.

In the first place, spring weather had something to do with shifts in acreage. Difficulties in seeding wheat, oats, and peas on time led to a big increase in the acreage of barley. That was fortunate, in a way, for barley is harvested early and supplies a quick source of feed for meat animals to supplement the small available supply of corn. The season for planting and cultivating corn

and soybeans was nearly ideal in the major producing areas. That led to planting about the intended acreage of soybeans, and a half million more acres of corn than farmers had planned in March. Currently, yield prospects are excellent.

Favorable spring weather justified abandoning less and harvesting more winter wheat than had been expected. This almost offset the portion of the planned acreage of spring wheat that could not be planted. Ideal weather also helped the wheat to fill and produce heavy heads and plump kernels of high test weight when threshed. So farmers are harvesting more wheat than we looked for earlier; also, more oats and barley.

The season was fairly promising for meadows; also livestock numbers were

relatively low. So, some of the old meadows which were not needed were plowed up, going into corn, barley, flax and cotton, which in addition produce higher cash income.

Record Supply Per Animal Unit

With the huge feed grains crop, despite rather small carry-over stocks, the supply per animal unit promises to be the most liberal on record. But our chart indicates only 3 percent more than average meat production in 1948, compared with 13 percent above average in 1947. The reason is that it is too late in the season for this year's crops to affect 1948 meat production to any great degree. Cattle and hogs had to be reduced in number to adjust to the small 1947-48 feed supply. The spring pig crop was the smallest since 1941 and the prospective fall pig crop is smaller than in 1947. The total 1948 pig crop may be the smallest since 1940. Thus hog slaughter from now to next March is likely to be moderately less than a year earlier.

Cattle for slaughter can respond to the impetus of ample feed supplies less rapidly than hogs. So meat production in 1948 is expected to run about 10 percent below last year. Demands for cattle, lambs, and hogs for breeding stock to rebuild livestock numbers will compete with demands for feeder and meat animals. As an offsetting influence, farmers may feed slaughter animals to heavier weights than in the 1947-48 season. But it looks very much like we shall have to wait until in 1949 for more liberal meat supplies.

Hybrid Acreage Up

Three out of every 4 acres of this year's United States corn crop were planted with hybrid seed, the highest proportion in history.

In the heart of the Corn Belt—Ohio, Indiana, Illinois, and Iowa—hybrids are being planted almost exclusively. Hybrid acreage is expanding in other Corn Belt States but the largest percentage increases are taking place in other areas.

Fifteen years ago, only 1 acre in a thousand was in hybrids.

Less Milk and Eggs

Both milk and eggs are expected to be in shorter supply than in 1947, but above average. This follows for much the same reasons as affected the prospective meat supply. Both dairy cows and laying hens have shown a downward trend in numbers, which will require time to arrest and reverse. Hens can be increased more quickly than cows, but the number of young chickens on farms, from which reinforcements will be drawn for the laying flocks, are smaller than average.

The huge supplies of feed grains will result in more favorable milk-feed and egg-feed price relationships than are now in effect, so the downward trends in production of milk and eggs may be slowed down in the remainder of 1948. But we can hardly look for a reversal until net returns to producers improve during the coming winter and spring.

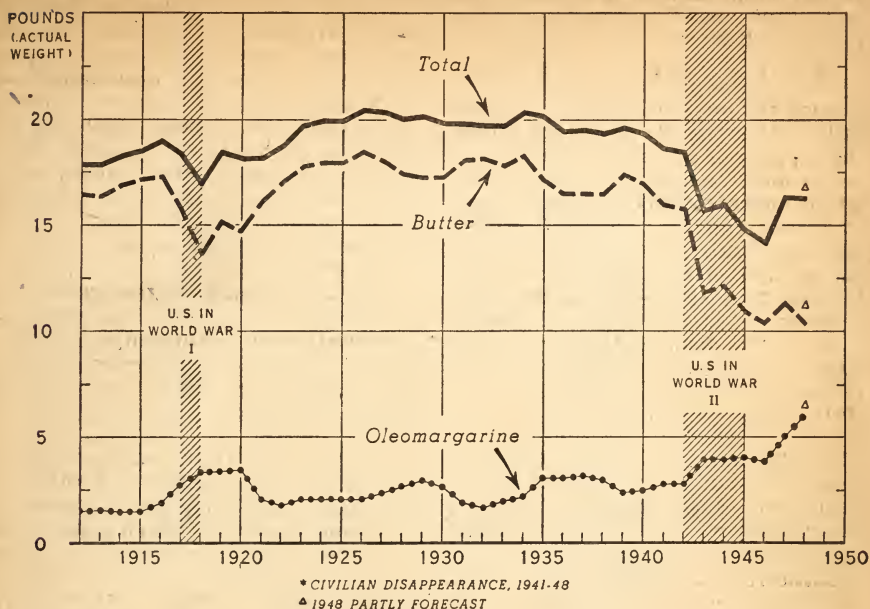
If we lack poultry and livestock to consume the supply of feed grains here, it looks like an opportunity for processors of corn, oats, and barley to satisfy their demands. More corn will be available for starch, sugar, sirup and oil, more grains for breakfast cereals, more barley for malting. As these uses require only a small proportion of grain sold from farms, a considerable surplus may be available for export, to help rehabilitate the poultry, dairy and livestock industries of Europe. As much should be available for export as Europe can finance, independently or with ECA help.

The wheat crop, plus the fairly large carry-over stocks of old wheat, provides virtually as much wheat for domestic and export needs as was available from the 1947-48 supply. There will be wheat for all abroad who can buy, perhaps some dry beans and soybeans as well, and some sorghum grain for the Far East.

So, at midyear 1948, it looks like the tremendous volume of crop production, if realized, will have little effect on our supplies of meat, milk and eggs until nearly a year from now. But we shall have ample supplies of most every other farm product and enough to share with the world to further its rehabilitation.

HAROLD R. WALKER
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BUTTER AND OLEOMARGARINE: DISAPPEARANCE PER PERSON, UNITED STATES, 1912-48*



U. S. DEPARTMENT OF AGRICULTURE

NEG 46764 BUREAU OF AGRICULTURAL ECONOMICS

Margarine Consumption Up

REFLECTING a substantial reduction in output, disappearance of butter into civilian trade channels in the United States declined from 16 pounds per person in 1941 to 11 pounds per person in 1947. In the same period, disappearance of oleomargarine increased from less than 3 pounds per person to 5 pounds.

Consumption of oleomargarine in the first half of 1948 was about 35 percent larger than a year earlier, while output and consumption of butter were about 15 percent smaller.

The drop in butter production and rise in margarine consumption resulted partly from the fact that Americans have been consuming substantially more butterfat in dairy products other than butter, especially fluid milk and cream and ice cream, thus leaving less for butter. Also significant is the fact that many farmers in important but-

ter-producing States have decreased milk production in favor of other products such as hogs, beef cattle, and small grains, which offered greater returns for equal effort and resources.

Cottonseed oil accounted for 53 percent of the total quantity of oils and fats used in oleomargarine in 1947 compared with 47 percent in 1937-41. Use of soybean oil was 38 percent compared with 21 percent in prewar. Foreign vegetable oils accounted for only 4 percent of the total in 1947 compared with 22 percent in 1937-41. Use of animal fats declined from 8 percent prewar to 2 percent in 1947.

Of the total domestic use of cottonseed, soybean, corn, and peanut oils in all products, oleomargarine accounted for 9 percent in 1937-41 and 19 percent in 1947.

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 Bureau of Agricultural Economics

COSTS AND RETURNS ON FAMILY OPERATED FARMS HIGH IN 1947

HIGH production and rising prices for farm products in 1947 held net returns of families operating 14 important types of farms far above prewar. For 11 of these types, net incomes also were well above 1946.

Total farm production last year, though less than in 1946 and 1942, was above any other year. However, there was considerable variation among crops and regions. For instance, wheat farmers harvested their largest crop in history, while the corn outturn in the Corn Belt was far below the 1946 record and only slightly above 1935-39.

Prices And Costs Up

With domestic and foreign demands strong last year, the market readily absorbed the large output of United States farmers. Prices farmers received climbed rapidly, averaging 19 percent above 1946 and 159 percent above prewar.

Farmers also had to pay more for the things they bought in 1947. Costs,

which have advanced rapidly since 1944, made their largest postwar increase to set a new record. Greatest gains were made in feed and labor costs but prices of other items farmers use in production also climbed steadily upward. However, purchases of farm machinery and building materials were larger than in 1946.

On most of the farms prices farmers received for their products went up faster than costs. The operating expense per dollar of gross farm income on all but a few of the farms dropped below 1946 and in every case is well below prewar (see chart).

Record Returns on Wheat Farms

Operators of the winter wheat farms harvested a record crop, sold it for a record price and received a record net income. The net income of operators of the southern plains winter wheat-grain sorghums farms was \$15,617, nearly double that of 1946 and higher than the net return of any other of the

Income, Production and Prices on Family Farms

Type of farm and location	Operators' net farm income		Total production		Prices received for products sold		Prices paid for production items	
	1946	1947	1946	1947	1946	1947	1946	1947
	Dollars		Index numbers 1930-44=100					
Corn Belt:								
Cash grain.....	8, 049	10, 696	147	105	210	278	129	147
Hog-beef fattening.....	8, 334	7, 091	150	119	184	239	145	166
Hog-beef raising.....	5, 309	5, 758	145	102	211	275	133	145
Hog-dairy.....	6, 146	5, 430	137	110	206	259	153	175
Spring wheat, North Plains:								
Wheat-corn-livestock.....	6, 594	9, 315	134	144	239	319	135	159
Wheat-small grains-livestock.....	6, 745	9, 225	137	154	250	340	131	161
Wheat-roughage-livestock.....	6, 880	7, 862	160	142	245	315	146	160
Winter wheat, South Plains:								
Wheat.....	10, 361	14, 342	197	204	217	276	123	144
Wheat-grains-sorghums.....	7, 892	15, 617	149	221	231	288	127	147
Cotton farms:								
Southern Plains.....	2, 698	4, 684	82	119	222	271	145	178
Black Prairie, Texas.....	2, 054	2, 936	76	98	242	268	153	178
Delta, Mississippi.....	2, 034	2, 693	114	129	215	236	154	171
Dairy farms:								
Central New York.....	4, 028	3, 989	126	110	187	211	165	186
Southern Wisconsin.....	4, 764	5, 427	117	122	212	244	157	180

14 farms (see table). The second highest income was made on southern plains winter wheat farms which brought operators \$14,342, nearly \$4,000 more than a year earlier.

Operators net incomes also were up from 1946 on the spring wheat farms in the northern plains. Smallest increase was made on wheat-roughage-livestock farms which produced less than a year earlier because yield of corn, wheat and other small grains were below those of a year earlier and livestock production also was reduced.

Net incomes on Corn Belt farms reflected declines in production and inventories from 1946. Corn production was down considerably, output of other small grains was off moderately, while hog and cattle production was at about the average for recent years. However, prices received by operators of these farms advanced much more rapidly than their costs and to a large extent offset the decline in production.

Two Farms Show Declines

Operators' incomes on the hog-beef-fattening and hog-dairy farms in the Corn Belt showed declines from 1946, while returns on hog-beef raising farms showed a slight increase. Largest gain was made on cash-grain farms in the Corn Belt which netted \$10,696, more than 2 thousand dollars above 1946.

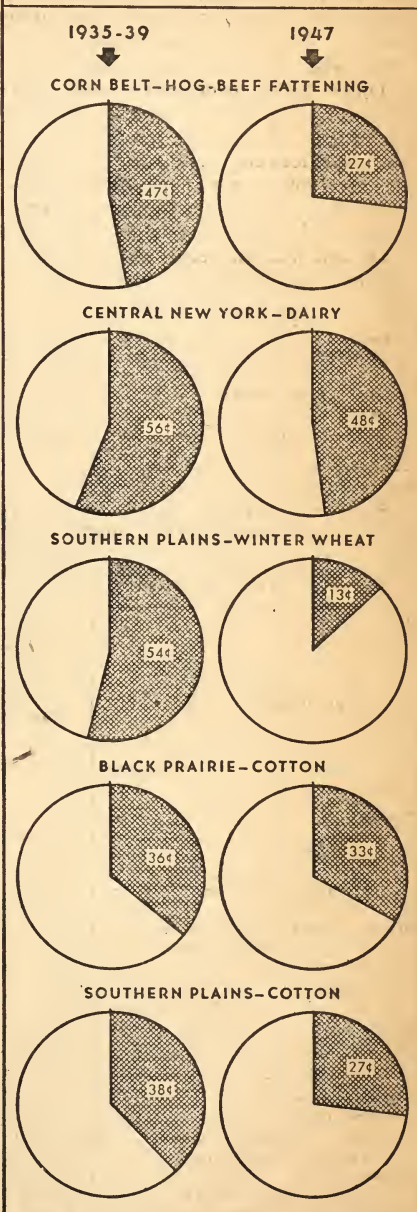
Net incomes on cotton farms were the highest on record, though well below that of most of the other types. Production was higher than in 1946 while prices also were up.

Harvested acreage on Southern Plains cotton farms was second only to that of 1937 and yields per acre averaged 200 pounds compared with 125 in 1946. Black Prairie farms harvested cotton acreages 9 percent larger than in 1946 with yields averaging 160 pounds compared, with 105 a year earlier. Harvested acreage on Mississippi Delta farms was only slightly above 1946 but yields were the third highest on record.

Milk production on both the Wisconsin and the Central New York dairy farms increased slightly over 1946 while prices received were up only 2 percent on the former and 6 percent on the latter. Cost rates on both farms strengthened considerably.

CHANGES IN COSTS ON FAMILY-OPERATED FARMS

Operating Expenses Per Dollar of Gross Farm Income



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Operators of Wisconsin dairy farms did fairly well in 1947, their net incomes totaling \$5,427, nearly \$700 more than in 1946. Hog production is important on these farms and they grow most of the concentrates and all of the roughages they feed. These farms also hire little labor, most of the work being done by the operator and his family.

On the more specialized central New York dairy farms, operators' incomes declined from a year earlier. Nearly all of the feed concentrates for dairy cattle on these farms is purchased and feed costs for 1947 were about a third above a year earlier. These farms also hire considerably more labor than the Wisconsin farms. Although the milk flow on these farms exceeded 1946, production of all products fell off.

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Farm Wage Rates Set a New Record July 1

Farm wage rates set a new record on July 1 when they were 7 percent higher than a year earlier and 3 percent above April 1.

Farm wage rates showed a tendency to level off in April after the break in farm prices early in the year. During the second quarter, however, they climbed more than seasonally as farm prices turned upward, rural and urban costs of living rose and another round of industrial wage rate increases began.

On July 1, farm wage rates per day without board averaged \$5.40 for the country as a whole compared with \$5.17 last year. Per month rates with board reached \$105, the first time in history they have averaged above a hundred dollars.

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		July 15, 1947	June 15, 1948	July 15, 1948	Parity price, July 15, 1948
	August 1909-July 1914	January 1935- December 1939				
Wheat (bushel).....dollars..	0.884	0.837	2.14	2.11	2.03	2.22
Rye (bushel).....do.....	.720	.554	2.36	1.91	1.72	1.81
Rice (bushel).....do.....	.813	.742	2.62	3.61	3.09	2.04
Corn (bushel).....do.....	.642	.691	2.01	2.16	2.02	1.61
Oats (bushel).....do.....	.399	.340	.922	1.07	.866	1.00
Barley (bushel).....do.....	.619	.533	1.57	1.68	1.42	1.55
Sorghum grain (100 pounds).....do.....	1.21	1.17	2.78	3.41	2.50	3.04
Hay (ton).....do.....	11.87	8.87	15.10	17.90	18.20	29.80
Cotton (pound).....cents.....	12.4	10.34	35.83	35.22	32.93	31.12
Cottonseed (ton).....dollars.....	22.55	27.52	79.09	92.20	96.00	56.60
Soybeans (bushel).....do.....	1.96	.954	3.09	3.90	3.66	2.41
Peanuts (pound).....cents.....	4.8	3.55	9.55	10.4	10.4	12.0
Flaxseed (bushel).....dollars.....	1.69	1.69	5.75	5.82	5.83	4.24
Potatoes (bushel).....do.....	2.697	.717	1.68	1.87	1.66	1.88
Sweetpotatoes (bushel).....do.....	.878	.807	2.51	2.46	2.62	2.20
Apples (bushel).....do.....	.96	.90	2.94	1.91	2.13	2.41
Oranges on tree (box).....do.....	52.29	1.11	.89	1.00	1.26	3.80
Hogs (hundredweight).....do.....	7.27	8.38	22.00	22.90	25.90	18.20
Beef cattle (hundredweight).....do.....	5.42	6.56	19.50	24.80	25.80	13.60
Veal calves (hundredweight).....do.....	6.75	7.80	20.80	26.00	26.70	16.90
Lambs (hundredweight).....do.....	5.88	7.79	20.90	25.00	26.20	14.80
Butterfat (pound).....cents.....	26.3	29.1	68.1	82.7	84.4	61.6
Milk, wholesale (100 pounds).....dollars.....	1.60	1.81	3.87	4.67	4.80	3.74
Chickens (pound).....cents.....	11.4	14.9	28.1	30.5	31.9	28.6
Eggs (dozen).....do.....	21.5	21.7	45.7	43.4	45.8	51.3
Wool (pound).....do.....	18.3	23.8	41.3	49.5	49.0	45.9

¹ Comparable base price, August 1909-July 1914.

² Comparable price computed under the Steagall amendment.

³ 1919-28 average of \$1.12 per bushel used in computing parity.

⁴ Revised.

⁵ 1919-28 average for computing parity price.

⁶ Adjusted for seasonal variation.

Economic Trends Affecting Agriculture

Year and month	Indus- trial pro- duction (1935-39 = 100) ¹	Income of in- dustrial workers (1935-39 = 100) ²	1910-14=100					Index of prices received by farm- ers (August 1909-July 1914= 100)			
			Average earn- ings of factory workers	Whole- sale prices of all com- modi- ties ³	Prices paid by farmers		Farm wage rates ⁴	Livestock and products			
					Com- modi- ties	Com- modities, interest, and taxes		Dairy prod- ucts	Poul- try and eggs	Meat ani- mals	All live- stock
1910-14 average.	58	50	100	100	100	100	100	100	101	101	101
1915-19 average.	72	90	152	158	151	150	148	148	154	163	158
1920-24 average.	75	122	221	160	161	173	178	159	163	123	142
1925-29 average.	98	129	232	143	155	168	179	160	155	148	154
1930-34 average.	74	78	179	107	122	135	115	105	94	85	93
1935-39 average.	100	100	199	118	125	128	118	119	109	119	117
1940-44 average.	192	234	325	139	150	147	212	162	146	171	164
1945 average.	203	290	403	154	180	172	350	197	196	210	203
1946 average.	170	270	391	177	202	153	378	242	198	256	240
1947 average.	187	332	440	222	246	231	408	269	221	340	293
1947											
July.	176	313	437	220	244	230	404	244	220	343	286
August.	182	324	438	224	249	234	-----	258	224	349	295
September.	187	337	449	230	253	238	-----	282	246	367	315
October.	190	339	455	231	254	239	404	283	251	360	313
November.	192	343	478	233	257	241	-----	293	242	338	304
December.	192	354	471	238	262	245	-----	311	262	352	320
1948											
January.	193	349	466	242	266	251	425	313	231	379	328
February.	194	346	462	235	263	248	-----	307	218	331	300
March.	192	352	466	236	262	247	-----	298	212	342	302
April.	188	-----	462	238	264	249	420	296	214	347	304
May.	191	-----	464	239	265	250	-----	291	211	361	309
June.	⁵ 192	-----	-----	243	266	251	-----	291	221	390	326
July.	-----	-----	-----	-----	266	251	431	300	234	417	344

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								All crops and live-stock	Parity ratio ^a
	Crops									
	Food grains	Feed grains and hay	To-bacco	Cotton	Oil-bearing crops	Fruit	Truck crops	All crops		
1910-14 average.....	100	101	102	96	98	99	-----	99	100	100
1915-19 average.....	193	164	187	168	187	125	-----	168	162	106
1920-24 average.....	147	126	192	189	149	148	7 143	160	151	86
1925-29 average.....	140	119	172	145	129	141	140	143	149	89
1930-34 average.....	70	76	119	74	72	94	166	86	90	66
1935-39 average.....	94	95	175	83	106	83	102	97	107	84
1940-44 average.....	123	119	245	131	159	133	172	143	154	103
1945 average.....	172	161	366	171	215	220	224	201	202	117
1946 average.....	201	195	382	228	244	226	204	226	233	121
1947 average.....	271	246	380	261	335	194	249	261	278	120
1947										
July.....	251	253	390	289	314	215	189	263	276	120
August.....	246	270	383	267	303	177	211	255	270	118
September.....	278	297	352	252	311	181	179	254	286	120
October.....	302	284	357	247	344	166	238	261	289	121
November.....	312	283	354	257	349	151	272	268	287	119
December.....	318	305	377	275	367	149	294	281	301	123
1948										
January.....	322	318	377	267	377	135	320	284	307	122
February.....	251	261	374	248	333	136	320	257	279	112
March.....	260	284	372	256	339	140	295	262	283	115
April.....	268	291	371	275	351	142	340	276	291	117
May.....	261	282	370	284	357	141	262	267	289	116
June.....	249	278	370	284	354	155	213	261	295	118
July.....	240	256	370	266	366	172	213	253	301	120

¹ Federal Reserve Board represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

² Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised April 1947.

³ Bureau of Labor Statistics.

⁴ Monthly data adjusted for seasonal variation. ⁵ Revised.

⁶ Ratio of prices received to prices paid for commodities, interest, and taxes.

⁷ 1924 only.

⁸ Preliminary.

Outlook Highlights

(Continued from page 2)

for extra fattening on the new crops. Main effect will be felt in late 1949 when next year's spring pig crop is marketed. Sharp increase in this crop is likely if corn harvest is as large as estimated.

LARGER CONSUMER incomes offset effects of higher retail prices for milk and cream during the first half of 1948 and United States consumption totaled about the same as a year earlier.

Milk output during the first half was about 4 percent below same period of 1947. Prospects for large feed crops mean that prices of dairy products will be more favorable compared to feed prices. Farmers will feed their cows at a higher rate and may tend to cull herds less closely. As a result, total milk flow will decline less than a year earlier and toward the end of 1948 may equal or exceed 1947 level.

SMALLER SUPPLIES and higher prices for red meats and high consumer incomes means a strong demand for poultry and eggs through the rest of 1948. Supplies of both chicken and eggs will be smaller than in the last half of 1947 and prices will be somewhat higher. Turkey supplies will be considerably smaller and prices will set new records.

FEED GRAIN PRICES moved down in June and early July as the large oats and wheat crops were harvested. Further declines in feed prices are expected this fall as the corn is picked. Corn may fall more than seasonally if crop is as large as estimated.

Total supplies of feed concentrates are expected to be about 16 percent larger than in 1947-48; about equal to the average for 1942-46. Since animal numbers are down, supplies per animal unit probably will be a record.

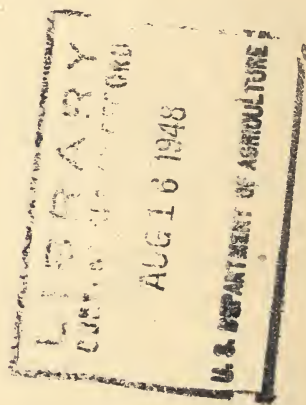
FRUIT PRICES from August through October are expected to be at about the same levels as a year earlier and to decline seasonally as marketings increase. Total supplies will be down a little from 1947. Demand for fresh use and processing will be about as strong as last

year. Prospects for exports are still uncertain.

THIS YEAR'S potato crop is now estimated to be about 2 percent larger than in 1947. This means that Government purchases for price support probably will continue. Through mid-July, price support buying totaled nearly 11 million bushels. The per capita consumption of potatoes is expected to continue long-time downward trend.

Sweetpotato crop in prospect is down 13 percent from 1947 and the smallest since 1924. Growers' prices are likely to average somewhat higher than in 1947.

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